

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Clark Township	County Mackinac
Audit Date 6/30/05	Opinion Date 8/26/05	Date Accountant Report Submitted to State: 11/18/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☒ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC			
Street Address 16978 S. Riley Avenue	City Kincheloe	State MI	ZIP 49788
Accountant Signature <i>Anderson Tackman & Co PLC</i>		Date 11/18/05	

CLARK TOWNSHIP

BASIC FINANCIAL STATEMENTS

June 30, 2005

CLARK TOWNSHIP

ELECTED OFFICIALS

TOWNSHIP SUPERVISOR

LINDA HUDSON

TOWNSHIP TREASURER

KATIE VANEENENAAM-CARPENTER

TOWNSHIP CLERK

CATHY NORDQUIST

TOWNSHIP TRUSTEE

TAMMY CRUICKSHANK

TOWNSHIP TRUSTEE

DANA LEACH

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMAN, CPA, PRINCIPAL

DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

INDEPENDENT AUDITOR'S REPORT

Board of Trustees of
Clark Township, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Clark Township, Michigan as of and for the year ended June 30, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit. .

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 4 to the financial statements, records were not available to support the cost of certain general infrastructure and capital assets, and, accordingly, did not have records supporting its depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those general infrastructure and capital assets be capitalized and depreciated, which would increase or decrease the assets, net assets, and expenses of the governmental activities, business-type activities and major enterprise fund. The amount by which this departure would affect the assets, net assets, and expenses of the governmental activities, business-type activities and major enterprise fund, is not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities, business-type activities, and major enterprise fund, of Clark Township, Michigan, as of June 30, 2005 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects the respective financial position of each major governmental fund and the aggregate remaining fund information of Clark Township, Michigan as of June 30, 2005 and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 26, 2005 on our consideration of Clark Township, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Township had not presented the Management's Discussion and Analysis information that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of the basic financial statements.

The budgetary comparisons as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clark Township, Michigan's, basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Anderson, Tackman & Company, PLC
Certified Public Accountants

August 26, 2005

Basic Financial Statements

Clark Township, Michigan

Statement of Net Assets

June 30, 2005

	Governmental Activities	Business-type Activities	Totals
ASSETS:			
Current Assets			
Cash & Equivalents - Unrestricted	\$ 893,076	\$ 35,001	\$ 928,077
- Restricted	-	5,000	5,000
Accounts Receivable	-	13,040	13,040
Special Assessments Receivable	1,413,016	-	1,413,016
Total Current Assets	2,306,092	53,041	2,359,133
Noncurrent Assets			
Capital Assets (Net of Accumulated Depreciation)	600,800	1,362,199	1,962,999
TOTAL ASSETS	\$ 2,906,892	\$ 1,415,240	\$ 4,322,132
LIABILITIES:			
Current Liabilities			
Cash Overdrafts	\$ 35,894	\$ 11,884	47,778
Accounts Payable	45	-	45
Accrued Interest Payable	41,145	-	41,145
Other Liabilities	18,994	3,355	22,349
Installment Loans	12,500	-	12,500
Bonds Payable	88,000	-	88,000
Total Current Liabilities	196,578	15,239	211,817
Noncurrent Liabilities			
Installment Loans	279,500	-	279,500
Bonds Payable	3,262,000	-	3,262,000
Total Noncurrent Liabilities	3,541,500	-	3,541,500
TOTAL LIABILITIES	3,738,078	15,239	3,753,317
NET ASSETS:			
Invested in Capital Assets - net of related debt	308,800	1,362,199	1,670,999
Unrestricted	(1,139,986)	32,802	(1,107,184)
Restricted	-	5,000	5,000
TOTAL NET ASSETS	\$ (831,186)	\$ 1,400,001	\$ 568,815

Clark Township, Michigan

Statement of Activities For the Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Legislative	\$ 38,974	\$ -	\$ -	\$ -	\$ (38,974)	\$ -	\$ (38,974)
General Government	329,207	17,246	39	-	(311,922)	-	(311,922)
Public Works	190,725	43,057	-	2,000	(145,668)	-	(145,668)
Public Safety	64,481	24,461	-	633	(39,387)	-	(39,387)
Health & Welfare	47,910	50,497	-	1,815	4,402	-	4,402
Recreation and Culture	48,306	31,899	-	175	(16,232)	-	(16,232)
Interest Expense	211,484	-	-	-	(211,484)	-	(211,484)
Other Expenses	205,117	-	-	-	(205,117)	-	(205,117)
Total Governmental Activities	1,136,204	167,160	39	4,623	(964,382)	-	(964,382)
Business-type Activities:							
Sewer	343,173	226,778	-	-	-	(116,395)	(116,395)
Total Business-type Activities	343,173	226,778	-	-	-	(116,395)	(116,395)
Total Primary Government	<u>\$ 1,479,377</u>	<u>\$ 393,938</u>	<u>\$ 39</u>	<u>\$ 4,623</u>	(964,382)	(116,395)	(1,080,777)
General Revenues:							
Taxes					574,785	-	574,785
State Revenue Sharing					151,186	-	151,186
Other					76,051	-	76,051
Investment Earnings (Loss)					24,325	606	24,931
Transfers					(104,782)	104,782	-
Total General Revenues and Transfers					721,565	105,388	826,953
Change in Net Assets					(242,817)	(11,007)	(253,824)
Net Assets - Beginning					1,180,856	1,411,008	2,591,864
Prior Period Adjustments					(1,769,225)	-	(1,769,225)
Net Assets - Ending					<u>\$ (831,186)</u>	<u>\$ 1,400,001</u>	<u>\$ 568,815</u>

See accompanying notes to financial statements.

Clark Township, Michigan

Balance Sheet Governmental Funds June 30, 2005

	General	Road Fund	Ambulance Fund	Sewer Expansion	Nonmajor Funds	Total Governmental Funds
ASSETS:						
Cash & Equivalents	\$ 66,597	\$ 151,928	\$ 217,621	\$ 262,886	\$ 194,044	\$ 893,076
Accounts Receivable	-	-	-	1,413,016	-	1,413,016
Due from Other Funds	-	-	-	-	20,528	20,528
TOTAL ASSETS	<u>\$ 66,597</u>	<u>\$ 151,928</u>	<u>\$ 217,621</u>	<u>\$ 1,675,902</u>	<u>\$ 214,572</u>	<u>\$ 2,326,620</u>
LIABILITIES:						
Cash Overdrafts	\$ -	\$ -	\$ 1,902	\$ -	\$ 33,992	\$ 35,894
Accounts Payable	45	-	-	-	-	45
Accrued Liabilities	18,994	-	-	-	-	18,994
Due to Other Funds	20,528	-	-	-	-	20,528
Deferred Revenue	-	-	-	1,413,016	-	1,413,016
TOTAL LIABILITIES	<u>39,567</u>	<u>-</u>	<u>1,902</u>	<u>1,413,016</u>	<u>33,992</u>	<u>1,488,477</u>
FUND BALANCES:						
Unreserved	<u>27,030</u>	<u>151,928</u>	<u>215,719</u>	<u>262,886</u>	<u>180,580</u>	<u>838,143</u>
TOTAL FUND BALANCES	<u>27,030</u>	<u>151,928</u>	<u>215,719</u>	<u>262,886</u>	<u>180,580</u>	<u>838,143</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 66,597</u>	<u>\$ 151,928</u>	<u>\$ 217,621</u>	<u>\$ 1,675,902</u>	<u>\$ 214,572</u>	
Reconciliation to amounts reported for governmental activities in the statement of net assets:						
Capital assets used by governmental activities						600,800
Special Assessments Receivable						1,413,016
Long-term notes and bonds payable for governmental activities						(3,642,000)
Accrued Interest Payable						(41,145)
Net assets of governmental activities						<u>\$ (831,186)</u>

Clark Township, Michigan

Statement of Changes in Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds For the Year Ended June 30, 2005

	General	Road Fund	Ambulance Fund	Sewer Assessment	Nonmajor Funds	Total Governmental Funds
REVENUES:						
Taxes	\$ 284,196	\$ 143,755	\$ -	\$ 218,055	\$ 74,145	\$ 720,151
Federal Sources	39	-	-	-	-	39
State Sources	151,186	-	-	-	-	151,186
Local Sources	12,000	-	-	-	-	12,000
Charges for Services	132,765	-	-	-	-	132,765
Donations	-	-	1,815	-	2,808	4,623
Interest & Rentals	18,743	1,791	3,014	2,622	1,945	28,115
Other Revenue	33,017	-	-	204	61,435	94,656
TOTAL REVENUES	631,946	145,546	4,829	220,881	140,333	1,143,535
EXPENDITURES:						
Legislative	38,974	-	-	-	-	38,974
General Government	329,207	-	-	-	-	329,207
Public Works	31,293	152,392	-	-	7,040	190,725
Public Safety	64,481	-	-	-	-	64,481
Health & Welfare	46,450	-	-	-	1,460	47,910
Recreation and Culture	48,306	-	-	-	-	48,306
Debt Service	26,759	-	-	155,711	82,369	264,839
Capital Outlay	-	-	1,902	-	47,929	49,831
Other Expenditures	47,230	-	-	3,664	-	50,894
TOTAL EXPENDITURES	632,700	152,392	1,902	159,375	138,798	1,085,167
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(754)	(6,846)	2,927	61,506	1,535	58,368
OTHER FINANCING SOURCES (USES):						
Operating Transfers In	23,378	-	-	76,721	4,855	104,954
Operating Transfers Out	(41,417)	-	(30,000)	(114,941)	(23,378)	(209,736)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(18,793)	(6,846)	(27,073)	23,286	(16,988)	(46,414)
FUND BALANCES, JULY 1	45,823	158,774	242,792	239,600	197,568	884,557
FUND BALANCES, JUNE 30	\$ 27,030	\$ 151,928	\$ 215,719	\$ 262,886	\$ 180,580	\$ 838,143
See accompanying notes to financial statements.						

Clark Township, Michigan

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities June 30, 2005

Net Changes in fund balances – total governmental funds	\$ (46,414)
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The change in net assets reported for governmental activities in the Statement of Activities is different because:

Special assessments revenue is not recognized under the modified accrual basis of accounting until received, rather than as it accrues.	(249,758)
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Interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues.	(41,145)
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Repayment of principal	<u>94,500</u>
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Changes in net assets of governmental funds	<u><u>\$ (242,817)</u></u>
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Clark Township, Michigan

Statement of Net Assets Proprietary Funds June 30, 2005

	Business-type Activities Enterprise Funds Sewer
ASSETS:	
Current Assets	
Cash & Equivalents - Unrestricted	\$ 35,001
- Restricted	5,000
Accounts Receivable	13,040
Total Current Assets	53,041
Noncurrent assets	
Capital Assets (net of accumulated depreciation)	1,362,199
 TOTAL ASSETS	 \$ 1,415,240
LIABILITIES:	
Current Liabilities	
Cash Overdrafts	\$ 11,884
Other Liabilities	3,355
Total Current Liabilities	15,239
 TOTAL LIABILITIES	 15,239
NET ASSETS	
Invested in Capital Assets (net of related debt)	1,362,199
Unreserved	32,802
Reserved	5,000
 TOTAL NET ASSETS	 1,400,001
 TOTAL LIABILITIES AND NET ASSETS	 \$ 1,415,240

Clark Township, Michigan

Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds For the Year Ended June 30, 2005

	Business-type Activities
	Enterprise Funds
	Sewer
OPERATING REVENUES:	
Charges for Services	\$ 226,358
Other	420
Total Operating Revenues	226,778
OPERATING EXPENSES:	
Employee Wages & Benefits	82,669
Fees for Services	11,983
Supplies	21,194
Fuel	5,297
Insurance	9,354
Repairs & Maintenance	62,986
Small Tools & Equipment	28,530
Utilities	44,581
Training	1,028
Miscellaneous	75,551
Total Operating Expenses	343,173
Operating Income	(116,395)
NON-OPERATING REVENUES (EXPENSES):	
Interest on Deposits	606
Operating Transfers In	104,782
Total Non-Operating Revenues (Expenses)	105,388
Change in Net Assets	(11,007)
NET ASSETS, JULY 1	1,411,008
NET ASSETS, JUNE 30	\$ 1,400,001

Clark Township, Michigan

Statement of Cash Flows Proprietary Funds For the Year Ended June 30, 2005

	Business-type Activities
	Enterprise Funds
	Sewer
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from Customers/payments (to) from other governmental units	\$ 213,738
Payments to Suppliers	(260,504)
Payments to Employees	(82,537)
Net Cash Provided (Used) by Operating Activities	(129,303)
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:	
Operating transfers in	104,782
Net Cash Provided (Used) by Noncapital and Related Financing Activities	104,782
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on Deposits	606
Net Cash Provided (Used) by Investing Activities	606
Net Increase (Decrease) in Cash and Cash Equivalents	(23,915)
Balances - Beginning of the Year	52,032
Balances - End of the Year	\$ 28,117
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	\$ (116,395)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation	-
Change in Assets and Liabilities:	
Accounts Receivable	(13,040)
Other Liabilities	132
Net Cash Provided (Used) by Operating Activities	(129,303)

Clark Township, Michigan

Statement of Fiduciary Net Assets Fiduciary Funds June 30, 2005

	Trust & Agency
ASSETS:	
Cash & Cash Equivalents	\$ 5,244
TOTAL ASSETS	<u>\$ 5,244</u>
LIABILITIES:	
Due to Other Governments	\$ 5,244
TOTAL LIABILITIES	<u>\$ 5,244</u>

Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Clark Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant accounting policies used by the Township:

A – Reporting Entity:

Clark Township ("The Township") is a regular law Michigan township located in the eastern portion of Michigan's Upper Peninsula.

The Township operates under an elected Board of Trustees and provides services to its residents in many areas including public safety, community enrichment and development, public works, recreation and culture, and health services.

The Township, for financial purposes, includes all of the funds relevant to the operations of Clark Township. The financial statements herein do not include agencies which have been formed under applicable State laws or separate and distinct units of government apart from Clark Township.

The Clark Township has considered all potential units in evaluating how to define the Township for financial reporting purposes. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Statement No. 14 of the Government Accounting Standards Board (GASB), The Financial Reporting Entity. The basic criteria include the appointment of a voting majority of the governing board of the unit; legal separation of the Township and the component unit, fiscal independence of the unit, whether exclusion of the unit would make the Township's financial statements misleading, and whether there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Township.

Component Units:

In conformity with accounting principles generally accepted in the United States of America, the financial statements of the component units have been included in the financial reporting entity as blended component units.

Blended Component Units

Clark Township Building Authority – The Authority is an entity legally separate from the Township. The Authority is governed by a board appointed by the Clark Township Board of Trustees and is reported as if it were part of the Township's operations because its primary purpose is the procurement and management of debt financing for the Township.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**B – Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which, rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

C – Measurement Focus, Basis of Accounting and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Taxes Receivable – Current or Property Taxes

The Clark Township property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in Clark Township as of the preceding December 31st.

The 2004 taxable valuation of Clark Township totaled \$149,776,826, on which ad valorem taxes levied consisted of 1.4592 mills for the Township operating, .9442 mills for Roads, .4825 for Sewer Debt, and .4825 mills for Sewer Expansion Debt, raising \$218,554 for operating, \$141,419 Roads, \$72,207 for Sewer Debt, and \$72,267 for Sewer Expansion Debt. These amounts are recognized in the respective General and Special Revenue Fund financial statements as tax revenue.

The Township reports the following major governmental funds:

General Fund

This is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Road Fund

This fund accounts for the revenue collected to repair and maintain roads within the Township.

Ambulance Fund

This fund accounts for ambulance operations within the Township.

Sewer Expansion fund

This fund accounts for activities that create and maintain the sewer system within Clark Township.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Township reports the following major business-type fund:

Sewer Fund

This fund accounts for activities that operate the sewer system within the Township.

Additionally, the Township reports the following fund types:

Agency Funds

Agency Funds are used to account for assets held by the Township as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

All other revenue items are considered to be available only when cash is received by the government.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's tax collection function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

D - Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Deposits are recorded at cost.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items – All inventories, including the cost of supplies, are expensed when purchased. The period of coverage for insurances at the Township coincides with its fiscal year. Therefore, insurance premiums are expensed.

Capital Assets – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the governmental type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant, and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Sewer System	40 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

Grants and Other Intergovernmental Revenues – Federal grants and assistance awards for all governmental type funds are recorded as intergovernmental revenue in accordance with the terms of the respective grants.

Interfund Transfers – During the course of normal operations, the Township has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by Township management.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles.

Budgets and Budgetary Control – The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Each May, after receiving input from the individual departments, the Board of Trustees prepares a proposed operating budget for the fiscal period commencing July 1 and lapses on June 30. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally enacted through a resolution passed by the Township Board.
- d. Budgetary control is exercised at the departmental level of the General Fund. Any revisions that alter the total expenditures of any department or fund (i.e., budget amendments) require approval by the Board of Trustees. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.
- e. The budget and approved appropriations lapse at the end of the fiscal year.
- f. The Township does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year-end.

Budgeted amounts are as originally adopted or amended by the Board of Trustees during the year. The modified accrual basis of accounting is used for budgetary purposes.

The General Fund budget was adopted on the basis of activities or programs financed by the General Fund.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Michigan Public Act 621 of 1978 (the Budgeting Act) requires that budgets be adopted for Governmental Funds. U.S. generally accepted accounting principles require that the financial statements present budgetary comparisons for the Governmental Fund Types for which budgets were legally adopted. The original budget adopted for the General fund was modified throughout the year through various budget amendments.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level.

Budget Violations – Public Act 621 of 1978, as amended, requires budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

Expenditures that exceeded appropriations by material amounts are as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Transfers Out	4,855	41,417	36,562
Ambulance Fund:			
Transfers Out	-	30,000	30,000

NOTE 3 - DEPOSITS AND INVESTMENTS

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Fiduciary Funds</u>
Cash and Cash Equivalents –			
Unrestricted	\$ 893,076	\$ 35,001	\$ 5,244
Restricted for Maintenance	-	5,000	-
Cash Overdrafts	(35,894)	(11,884)	-

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Bank Deposits (checking and savings accounts	\$ 889,511	\$ 5,244
Certificates of Deposit	43,566	-
Total	<u>\$ 933,077</u>	<u>\$ 5,244</u>
Cash Overdrafts	\$ (47,778)	-

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**Investment and Deposit Risk**

Interest Rate Risk. Through its investment policy, the Township manages its exposure risk to fair value losses arising from increasing interest rates by limiting the duration of its investment portfolio to one year or less.

Credit Risk. The Township's policy limits investments in bonds, bills, or notes of the United States; certificates of deposits; commercial paper rated prime 1 or prime 2, maturing 270 days or less.

Custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year-end, \$632,607 of the Township's bank balance of \$905,001 was exposed to credit risk because it was uninsured and uncollateralized.

Statutory Authority:

Michigan Law (Public Act 20 of 1943 as amended) authorizes the Township to deposit and invest in one or more of the following:

- a. Bond, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Banker's acceptance of United States banks.
- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the primary government for the current year was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 73,115	\$ -	\$ -	\$ 73,115
Subtotal	<u>73,115</u>	<u>-</u>	<u>-</u>	<u>73,115</u>
Capital assets being depreciated:				
Buildings	595,296	-	-	595,296
Machinery and equipment	<u>3,997</u>	<u>-</u>	<u>-</u>	<u>3,997</u>
Subtotal	<u>599,293</u>	<u>-</u>	<u>-</u>	<u>599,293</u>
Less accumulated depreciation for:				
Buildings	67,611	-	-	67,611
Machinery and equipment	<u>3,997</u>	<u>-</u>	<u>-</u>	<u>3,997</u>
Subtotal	<u>71,608</u>	<u>-</u>	<u>-</u>	<u>71,608</u>
Net Capital Assets Being Depreciated	<u>527,685</u>	<u>-</u>	<u>-</u>	<u>527,685</u>
Total Capital Assets - Net of Depreciation	<u>\$ 600,800</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 600,800</u>
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 12,795	\$ -	\$ -	\$ 12,795
Subtotal	<u>12,795</u>	<u>-</u>	<u>-</u>	<u>12,795</u>

NOTE 4 - CAPITAL ASSETS (Continued)

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets being depreciated:				
Buildings	29,217	-	-	29,217
Machinery and equipment	189,477	-	-	189,477
Sewer system	<u>1,856,912</u>	<u>-</u>	<u>-</u>	<u>1,856,912</u>
Subtotal	<u>2,075,606</u>	<u>-</u>	<u>-</u>	<u>2,075,606</u>
Less accumulated depreciation for:				
Buildings	29,217	-	-	29,217
Machinery and equipment	109,303	-	-	109,303
Sewer system	<u>587,682</u>	<u>-</u>	<u>-</u>	<u>587,682</u>
Subtotal	<u>726,202</u>	<u>-</u>	<u>-</u>	<u>726,202</u>
Net Capital Assets Being Depreciated	<u>1,349,404</u>	<u>-</u>	<u>-</u>	<u>1,349,404</u>
Total Capital Assets – Net of Depreciation	<u>\$ 1,362,199</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,362,199</u>

Supporting information for the cost of capital assets and depreciation expense was not available.

NOTE 5 - LONG-TERM DEBT:

General Long-Term Debt - The bonds payable reflected in the basic financial statements consist of general obligation notes incurred by Clark Township. The Township has pledged the general full faith and credit of the Township for the payment of principal and interest on the bonds.

Changes in long-term debt during the year ending June 30, 2005 are summarized as follows:

	<u>Balance 07/01/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/05</u>	<u>Due Within One Year</u>
Governmental Activities:					
1972 Mackinac County Sanitary Sewage Disposal System Revenue Bonds, maturing serially to 2012 in annual amounts ranging from \$22,000 to \$24,000 and bearing interest of 5% semiannually.	\$ 189,000	\$ -	\$ 22,000	\$ 167,000	\$ 23,000
Mackinac County Sanitary Sewage Disposal System #2 Bonds, Series 2002, maturing serially to 2030 in annual amounts ranging from \$45,000 to \$155,000 and bearing interest of 2 to 5.125% semiannually.	2,380,000	-	50,000	2,330,000	55,000

NOTE 5 - LONG-TERM DEBT: (Continued)

	Balance 07/01/04	Additions	Deductions	Balance 06/30/05	Due Within One Year
Mackinac County Sewage Disposal System Bonds, Series 1999, maturing semiannually to 2039 in annual amounts ranging from \$9,000 to \$51,000 and bearing interest of 3.5347% semiannually.	863,000	-	10,000	853,000	10,000
Township Hall financing with Rural Development, due in annual installments of \$6,000 to \$19,000 through 2028, interest of 4.75% due semiannually.	272,000	-	6,000	266,000	6,000
Land financed with First National Bank, due in annual installments of \$6,500 through 2008, interest of 5.35% due semiannually.	<u>32,500</u>	<u>-</u>	<u>6,500</u>	<u>26,000</u>	<u>6,500</u>
TOTAL LONG-TERM OBLIGATIONS	<u>\$ 3,736,500</u>	<u>\$ -</u>	<u>\$ 94,500</u>	<u>\$ 3,642,000</u>	<u>\$ 100,500</u>

Annual debt service requirements to maturity for the above obligations are as follows:

Year End June 30	Governmental Activities	
	Principal	Interest
2006	\$ 100,500	\$ 158,685
2007	102,500	155,084
2008	103,500	151,130
2009	109,500	146,688
2010	103,000	142,208
2011-2015	533,000	641,395
2016-2020	605,000	519,803
2021-2025	763,000	363,748
2026-2030	850,000	160,482
2031-2035	186,000	26,617
2036-2040	<u>186,000</u>	<u>8,447</u>
Total	<u>\$ 3,642,000</u>	<u>\$ 2,474,287</u>

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The Township reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds, proprietary funds, and fiduciary funds. Interfund transactions resulting in interfund Receivables and Payable are as follows:

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

DUE FROM OTHER FUNDS	DUE TO OTHER FUNDS	
		Nonmajor Streetscape
General Fund	\$	20,528
Total	\$	<u>20,528</u>

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

TRANSFERS IN	TRANSFERS OUT				
	General Fund	Sewer Assessment	Ambulance Fund	Dredging	Total
General Fund	\$ -	\$ -	\$ -	\$ 23,378	\$ 23,378
Sewer Assessment	36,562	10,159	30,000	-	76,721
Sewer	-	104,782	-	-	104,782
Ambulance	<u>4,855</u>	-	-	-	<u>4,855</u>
Total	<u>\$ 41,417</u>	<u>\$ 114,941</u>	<u>\$ 30,000</u>	<u>\$ 23,378</u>	<u>\$ 209,736</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 7 - SPECIAL ASSESSMENTS RECEIVABLE AND DEFERRED REVENUE

At the time special assessments are approved, the amount of the assessments and related deferred revenue are recorded representing the total assessment due. Collections are recognized as they occur over the life of the assessment, ranging from 10 to 40 years. Early payment is permitted. Unpaid assessments are added to property tax bills and are accorded treatment similar to unpaid property tax, in that the County revolving tax fund will pay those delinquent amounts. The deferred revenue is recognized ratably over the term of the assessment. In the government-wide statements revenue is recognized when the improvement is completed.

NOTE 8 - LEASES

General Obligation Lease

The Township entered into a 30 year full faith and credit general obligation lease contract with the Clark Township Building Authority (Authority) on May 1, 1998 for the acquisition of property and construction of a township office facility. Under the agreement, the Township promises to pay semi-annual cash rental payments to the Authority in an amount sufficient to pay both the principal and interest in the proposed Building Authority Bonds. Cash rental payments based on the original bond principal sum of \$298,000 plus interest at 4.75% commenced on March 31, 1999 are summarized as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 6,000	4.75	\$ 12,493	\$ 18,493
2007	6,000	4.75	12,184	18,184
2008	7,000	4.75	11,850	18,850
2009	7,000	4.75	11,519	18,519
2010	7,000	4.75	11,162	18,162
2011-2015	43,000	4.75	49,709	92,709
2016-2020	54,000	4.75	37,762	91,762
2021-2025	68,000	4.75	22,656	90,656
2026-2030	<u>68,000</u>	4.75	<u>4,845</u>	<u>72,845</u>
Total	<u>\$ 266,000</u>		<u>\$ 174,180</u>	<u>\$ 440,180</u>

NOTE 9 - RISK MANAGEMENT

Risk Management – The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The government was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The Township joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The government pays an annual premium to the pool for its general insurance coverage.

The government continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The government is unable to provide an estimate of the amounts of additional assessments.

NOTE 10 - CONTINGENT LIABILITIES

The Township has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the Township. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the Township at June 30, 2005.

NOTE 11 - PRIOR PERIOD ADJUSTMENT

Beginning net assets of the governmental activities were restated to account for debt and special assessments receivable not previously included in net assets.

Net assets as of June 30, 2004	\$ 1,180,856
Prior period adjustment for recognition of debt from prior years	(3,432,000)
Prior period adjustment for recognition of Special assessment receivable from prior years	<u>1,662,775</u>
Net assets restated	<u>\$ (588,369)</u>

Required Supplemental Information

Clark Township, Michigan

Required Supplemental Information Budgetary Comparison Schedule General Fund For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 269,100	\$ 281,885	\$ 284,196	\$ 2,311
Federal Sources	-	-	39	39
State Sources	160,000	160,000	151,186	(8,814)
Local Sources	10,000	10,000	12,000	2,000
Charges for Services	124,900	134,221	132,765	(1,456)
Interest & Rentals	7,000	7,618	18,743	11,125
Other Revenue	21,100	29,557	33,017	3,460
TOTAL REVENUES	592,100	623,281	631,946	8,665
EXPENDITURES:				
Legislative:				
Township Board	35,010	40,010	38,974	1,036
General Government:				
Supervisor	31,250	35,049	34,584	465
Treasurer	40,810	43,443	43,276	167
Taxes	11,500	20,271	19,861	410
Data Processing	14,000	14,000	6,127	7,873
Clerk	48,650	48,650	45,243	3,407
Assessor	60,035	60,035	40,585	19,450
Board of Review	1,045	1,045	1,413	(368)
Township Hall	105,760	105,760	75,370	30,390
Hessel Hall	2,920	7,920	2,312	5,608
Community Center	25,820	32,120	31,256	864
Addressing	3,200	3,200	26	3,174
Elections	4,110	5,380	5,559	(179)
Cemetery	19,985	23,753	23,595	158
Total General Government	369,085	400,626	329,207	71,419
Public Works:				
Airport	2,230	2,930	2,890	40
Public Utilities	18,000	22,322	20,138	2,184
Solid Waste	14,680	14,680	8,265	6,415
Total Public Works	34,910	39,932	31,293	8,639
Public Safety:				
Fire Department	22,890	25,907	24,362	1,545
Zoning	15,772	20,216	20,165	51
Electrical Inspections	10,112	10,112	9,142	970
Building Inspections	11,512	11,512	10,812	700
Total Public Safety	60,286	67,747	64,481	3,266
Health & Welfare:				
Ambulance	41,700	41,700	46,450	(4,750)

Clark Township, Michigan

Required Supplemental Information Budgetary Comparison Schedule General Fund For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Recreation and Culture:				
Hessel Beach	2,560	4,060	2,052	2,008
Docks	43,050	46,737	46,254	483
Total Recreation and Culture	45,610	50,797	48,306	2,491
Debt Service:				
Principal	12,500	12,500	12,500	-
Interest	12,500	12,500	14,259	(1,759)
Total Debt Service	25,000	25,000	26,759	(1,759)
Other Expenditures:				
Insurance	49,800	49,800	45,391	4,409
Other	3,500	3,500	1,839	1,661
Total Other Expenditures	53,300	53,300	47,230	6,070
TOTAL EXPENDITURES	664,901	719,112	632,700	86,412
EXCESS OF REVENUES OVER EXPENDITURES	(72,801)	(95,831)	(754)	95,077
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	-	31,700	23,378	(8,322)
Operating Transfers Out	-	(4,855)	(41,417)	(36,562)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ (72,801)	\$ (68,986)	(18,793)	\$ 50,193
FUND BALANCE, JULY 1			45,823	
FUND BALANCE, JUNE 30			\$ 27,030	

Clark Township, Michigan

Required Supplemental Information Budgetary Comparison Schedule Road Fund For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ -	\$ 140,000	\$ 143,755	\$ 3,755
Interest & Rentals	-	1,800	1,791	(9)
TOTAL REVENUES	-	141,800	145,546	3,746
EXPENDITURES:				
Public Works	-	153,000	152,392	608
TOTAL EXPENDITURES	-	153,000	152,392	608
EXCESS OF REVENUES OVER EXPENDITURES	-	(11,200)	(6,846)	4,354
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	-	11,200	-	(11,200)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ -	(6,846)	\$ (6,846)
FUND BALANCE, JULY 1			158,774	
FUND BALANCE, JUNE 30			\$ 151,928	

Clark Township, Michigan

Required Supplemental Information Budgetary Comparison Schedule Ambulance Fund For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Donations	\$ -	\$ 2,000	\$ 1,815	\$ (185)
Interest & Rentals	-	500	3,014	2,514
TOTAL REVENUES	-	2,500	4,829	2,329
EXPENDITURES:				
Capital Outlay	-	500	1,902	(1,402)
TOTAL EXPENDITURES	-	500	1,902	(1,402)
EXCESS OF REVENUES OVER EXPENDITURES	-	2,000	2,927	927
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	-	-	(30,000)	(30,000)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ 2,000	(27,073)	\$ (29,073)
FUND BALANCE, JULY 1			242,792	
FUND BALANCE, JUNE 30			\$ 215,719	

Other Supplemental Information

Clark Township, Michigan

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2005

	Special Revenue Funds							
	Recreation Fund	Fire Fund	Streetscape Fund	Hessel Marina	Dredging Fund	Airport Fund	Debt Service	Totals
ASSETS:								
Cash & Equivalents	\$ 85,798	18,307	2,110	1,646	-	8,838	77,345	\$ 194,044
Due From Other Funds	-	-	20,528	-	-	-	-	20,528
TOTAL ASSETS	\$ 85,798	\$ 18,307	\$ 22,638	\$ 1,646	\$ -	\$ 8,838	\$ 77,345	\$ 214,572
LIABILITIES:								
Cash Overdrafts	\$ 9,218	\$ 4,018	\$ 7,091	\$ -	\$ -	\$ 13,665	\$ -	\$ 33,992
TOTAL LIABILITIES	9,218	4,018	7,091	-	-	13,665	-	33,992
FUND BALANCES:								
Unreserved	76,580	14,289	15,547	1,646	-	(4,827)	77,345	180,580
TOTAL FUND BALANCES	76,580	14,289	15,547	1,646	-	(4,827)	77,345	180,580
TOTAL LIABILITIES AND FUND BALANCES	\$ 85,798	\$ 18,307	\$ 22,638	\$ 1,646	\$ -	\$ 8,838	\$ 77,345	\$ 214,572

Clark Township, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds For the Year Ended June 30, 2005

	Special Revenue Funds						
	Recreation Fund	Fire Fund	Streetscape Fund	Hessel Marina	Dredging Fund	Airport Fund	Totals
REVENUES:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 74,145
Donations	175	633	1,000	-	-	1,000	2,808
Interest & Rentals	-	-	-	-	-	-	1,945
Other	-	-	29,062	330	-	1,213	30,830
	-	-	-	-	-	-	61,435
TOTAL REVENUES	175	633	30,062	330	-	2,213	140,333
EXPENDITURES:							
Public Works	-	-	-	-	-	7,040	7,040
Health & Welfare	1,460	-	-	-	-	-	1,460
Debt Service	-	-	-	-	-	-	82,369
Capital Outlay	7,758	4,018	36,153	-	-	-	47,929
	-	-	-	-	-	-	-
TOTAL EXPENDITURES	9,218	4,018	36,153	-	-	7,040	138,798
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(9,043)	(3,385)	(6,091)	330	-	(4,827)	1,535
OTHER FINANCING SOURCES (USES):							
Operating Transfers In	-	-	-	-	-	4,855	4,855
Operating Transfers Out	-	-	-	-	(23,378)	-	(23,378)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(9,043)	(3,385)	(6,091)	330	(23,378)	28	(16,988)
FUND BALANCES, JULY 1	85,623	17,674	21,638	1,316	23,378	(4,855)	197,568
FUND BALANCES, JUNE 30	\$ 76,580	\$ 14,289	\$ 15,547	\$ 1,646	\$ -	\$ (4,827)	\$ 180,580

Report on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMAN, CPA, PRINCIPAL

DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

Board of Trustees
Township of Clark
Cedarville, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clark Township, Michigan as of and for the year ended June 30, 2005, which collectively comprise Clark Township's basic financial statements and have issued our report thereon dated August 26, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Clark Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clark Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 05-1 and 05-2.

This report is intended solely for the information and use of the Board of Trustees, audit committee, management, and federal awarding agencies and pass-through entities and is not to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

August 26, 2005

NONCOMPLIANCE WITH STATE STATUTES

Expenditures in Excess of Appropriations—Budgetary Funds

Finding 05-1

Condition: Our examination of procedures used by the Township to adopt and maintain operating budgets for the Township's budgetary fund revealed the following instances of noncompliance with the provisions of Public Act 2 of 1968, as amended, the Uniform Budgeting and Accounting Act.

The Township's 2004-2005 General Appropriations Act (budget) provided for expenditures of the General Fund to be controlled to the activity level. As detailed, actual 2004-2005 expenditures exceeded the board's approved budget allocations for some general fund and ambulance fund activities.

During the fiscal year ended June 30, 2005, expenditures were incurred in excess of amounts appropriated in the amended budgets for the general fund and ambulance fund listed in Note 2 of the financial statements.

Criteria: The expenditures of funds in excess of appropriations is contrary to the provisions of Section 16 of Public Act 2 of 1968, as amended.

Recommendation: We recommend that the Township and personnel responsible for administering the activities of the various funds of the Township, develop budgetary control procedures for the general fund and ambulance fund, which will assure that expenditures do not exceed amounts authorized in the General Appropriations Act, or amendments thereof.

Management's Response—Corrective Action Plan: Management has agreed to correct the problem by monitoring the budgets more closely and performing budget amendments on a timely basis.

Deficit Fund Balance Reduction Plan

Finding 05-2

Condition: As of June 30, 2005, the following fund had an accumulated fund equity deficit:

<u>Fund</u>	<u>Deficit Fund Equity</u>
Airport	\$ (4,827)

Criteria: Public Act 275 requires that a deficit elimination plan be submitted to the State of Michigan within (90) days of the end of the fiscal year.

Effect: The Township is in violation of Public Act 275.

Cause: Failure to implement a deficit reduction plan when required.

Recommendation: We recommend that individual fund statements be reviewed on a periodic basis to determine if any funds have deficit fund equity. Deficits should be addressed in a timely manner. Deficits remaining at year-end require a deficit plan be filed with the State of Michigan within 90 days after year-end. We recommend implementation with Public Act 275.

Deficit Fund Balance Reduction Plan (Continued)

Finding 05-2

Management's Response—Corrective Action Plan: This fund was not monitored or maintained as well as we intended. The existing General Fund balance will be used to eliminate the deficit within the fund. A deficit reduction plan will be filed with the Michigan Department of Treasury. The funds will be monitored more thoroughly throughout this budget year to prevent any reoccurrence.



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REPORT TO MANAGEMENT

Board of Trustees
Clark Township
Cedarville, Michigan

We have audited the financial statements of Clark Township for the year ended June 30, 2005, and have issued our report thereon dated August 26, 2005. Our professional standards require that we make several communications to you, the purpose of which is to assist you with additional information regarding the scope and results of the audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Clark Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Clark Township's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of the accounting policies and their application. The significant accounting policies used by the Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the liability.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the basic financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Township, either individually or in the aggregate, indicate matters that could have a significant effect on the Township's financial reporting process. Significant audit adjustments were made to correct various errors. In addition, the attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the basic financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's basic financial statements or a determination of the type of auditors' opinion to be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

Comments and Recommendations

Special Assessment Cards (Prior Year)

Currently the special assessment receivable record for each account is kept manually on a ledger card.

The Township should consider computerizing the records, backup the information daily, and store in a fireproof location in the Township hall.

Response: The Treasurer recognizes the problem and plans to computerize these records and make them a part of the overall systems' automatic back-up and security procedures.

Special Revenue Funds (Prior Year)

The Township has eight special revenue funds, of which several have very little activity in them during the fiscal year. Consideration should be given to transferring the monies in several of these funds to the General Fund.

Response: The Township has already reduced the number of these special funds, moving the monies to the General Fund as of our Budget FY 2006, which began July 1, 2005. The few remaining have been retained as "special funds" earmarked to grow for the balance for capital improvements seed funds or future repair/replacement funds specific to that facility or program.

Accounts Receivable

Ambulance Accounts Receivables were not recorded on the general ledger at year-end. In order to provide an accurate reporting of accounts receivable relating to ambulance billings we recommend that an accounts receivable be recorded in the General Fund.

The General Fund should have a receivable for revenue sharing at the end of June 30, 2005. That receipt was recorded in 2006 as a fiscal year 2006 receipt. We recommend that care be used to receipt funds to the proper recording period.

Response: Clark Township has contracted with War Memorial Hospital for ambulance billings. The Clerk will use the monthly statements from War Memorial to set up accounts receivable records in the General Fund.

The Treasurer will implement a receivable line item for revenue sharing funds in the General Fund.

Receipts

Physical receipts numbers from the receipt book do not match the computerized version of the same receipt. We recommend that both receipts be documented with the same number to enhance internal controls.

Response: This has been corrected in the Treasurer's office. Now all receipts are generated from computer software.

Payroll

It was noted when testing payroll that all but one personnel file chosen for testing lacked the New Hire Form and all files chosen for testing lacked Forms I-9. Also, it was noted that a form authorizing deductions from employee's paychecks was not present in one of the files chosen for testing that had deductions in addition to the standard required deductions. Form W-4 was outdated in two of the tested personnel files. We recommend that the personnel files contain all up-to-date pertinent forms.

Time sheets lacked dates on four of those chosen for testing. Also, the pay rate was incorrect or missing on two of the timesheets tested. We recommend that time sheets note proper rate of pay and dates.

Response: All regular employee records have been brought up to compliance with New Hire Forms, Forms I-9, payroll deduction authorization; all W-4 forms are current. The Clerk is still trying to collect updates from volunteer Fire Department and Ambulance Corps members.

Employee time cards are now generated by digital time clock and card swipe system. Time sheets are generated by computer software (time clock specific) and printed every pay period with all pertinent information, including dates. Employee and supervisory official provide signatures and employee is given a signed copy.

State Unemployment Insurance Account

We noted that the state unemployment insurance account currently has a large balance. We recommend that this account be reviewed for accuracy.

Response: The Clerk has corrected the situation. The employee defaults were not set up correctly in the payroll software.

Accrued Sick Time

We noted when calculating accrued sick time that each individual employee's sick time was based upon their personal start date. We recommend that sick time be prorated for new employees to correlate with the fiscal year end and each employee be given the appropriate number of days (4) each year.

Response: The Board will clarify the policy in the personnel manual and corrections will be implemented.

Policies

Management of the Township is in the process of updating its policies; we recommend that the following policies be adopted: Credit Card Use, Authorized Investments, Conflict of Interest, Fixed Asset Capitalization, and Purchasing/Procurement.

Response: During the time frame of the audit, Clark Township did not have a credit card; no policy was needed. Other policies will be reviewed, updated and/or implemented.

Sewer Revenue Bonds

The Township currently has revenue bonds that are paid out of its debt service fund with taxes from a mill age and special assessment. Usually revenue bonds are paid with user fees and recorded in the Enterprise Fund (Sewer Fund) where those fees are collected. We recommend that Township Management review the bond document for the revenue bonds and make the changes required to comply with it.

Response: The Supervisor and Treasurer have invested significant time researching the Sewer Bond documents and financial history of the Sewer Bond obligation. Township Board members are working with the Bond Counsel, Township Attorney and other counsel, Auditors, and the Clark Township Sewer Advisory Board to clarify what action is needed for compliance. The user fee schedule is being evaluated and projections are being made to provide for adequate revenue to meet the terms of all bond obligations in the future. The Supervisor has been providing progress reports to USDA Rural Development.

Budgets

The budget of the General Fund had expenditures in excess of its beginning fund balance and revenue in violation of P.A. 2 of 1968.

Response: Corrective adjustments will be made and the State Treasury Department will be notified of our compliance.

SEC rule 15C2-12 Disclosure Requirements

SEC Rule No. 240.15c2-12 requires issuers of municipal securities in principal amounts of \$1 million or more or whose outstanding aggregate debt exceeds \$10 million to report financial and operational information as well as notice of material events to nationally recognized municipal securities information repositories annually. With the issuance of the bonds for the sewer system, the Township is subject to these reporting requirements. We recommend that the Township establish a written plan and process to ensure that this report is completed and filed by December 31st of each year.

Response: The Supervisor will implement procedures to ensure that the disclosure requirements are met and that reports are provided to the appropriate institutions by end of the calendar year.

Conclusion

This information is intended solely for the use of the Board of Trustees, federal awarding agencies, pass through entities, and management of Clark Township and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "Anderson Tackman & Co. PLC".

Anderson, Tackman & Company, PLC
Certified Public Accountants

August 26, 2005